HOUSING MARKET OUTLOOK
Quebec Region Highlights

CANADA MORTGAGE AND HOUSING CORPORATION

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Housing Market Forecast

Figure 1

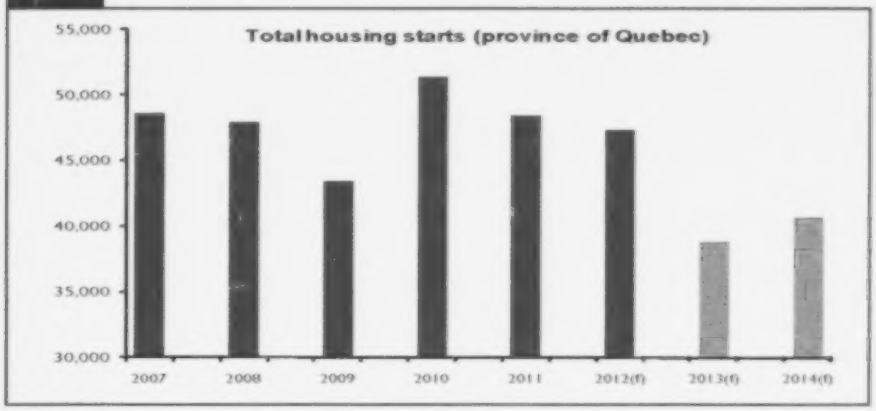
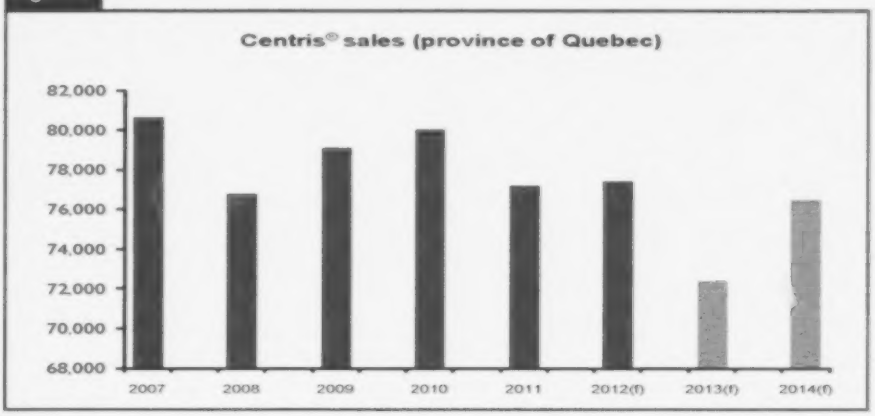


Figure 2



Source: CMHC

Overview

In Quebec, recently slower economic growth will reduce demand of existing and new homes this year. Moreover, easing resale markets and relatively high inventories of new dwellings will significantly lower housing starts in 2013. This being said, still favourable borrowing conditions and demographic trends will support housing demand into 2014, at which time a strengthening economy and tightening resale markets will energize both the resale and new housing markets.

On the economic front, Quebec's labour markets still feel the impacts of a slow recovery south of the border and of more favourable employment prospects in western Canada. While business investment increases solidly, firms are focusing on fixed capital rather than on hiring. Meanwhile, public and consumer spending are moderate, while export levels remain stable. GDP growth of between 1 and 1.4 per cent growth is expected during the forecast horizon.

Demographic trends will continue to support the province's housing markets in the next two years. Sustained immigration to the province will still have a positive impact on demand in the rental market, as flows are expected to remain stable over the forecast horizon. While moderating demand from younger households cools first-time buying, population aging will prompt some older households re-enter the market in response to their evolving housing needs.

Mortgage rates to see modest and gradual increases, but will remain low

In line with the consensus among private-sector forecasters, increases in the Target Overnight Rate by the Bank of Canada are not anticipated before mid-2014, later than anticipated at the time of the 2013 First Quarter Housing Market Outlook. This reflects the downward revisions in GDP forecasts since the publication of the First Quarter Housing Market Outlook, particularly the expectations of a slower economy in 2013. The expected delay in interest rate increases will continue to be supportive of housing market activity over the forecast horizon.

Mortgage rates		
1 Year	Q1 2013	3.00
	Change from Q1 2012	-0.30
	2013 (F)	3.00 - 3.25
	2014 (F)	3.25 - 3.75
5 Year	Q1 2013	5.21
	Change from Q1 2012	-0.05
	2013 (F)	5.00 - 5.50
	2014 (F)	5.25 - 5.75

Source: Bank of Canada, CMHC Forecast

NOTE: Mortgage rate forecast is based on Q1 2013 data

According to CMHC's base case scenario for 2013, the one-year mortgage rate is forecast to be within 3.00 per cent to 3.25 per cent with an average of 3.13 per cent, while the five-year posted mortgage rate is anticipated to be within 5.00 per cent to 5.50 per cent with an average of 5.28 per cent. For 2014, the one-year posted mortgage rate is expected to rise and be in the 3.25 per cent to 3.75 per cent range with an average of 3.42, while the five-year posted mortgage rate is forecast to be within 5.25 per cent to 5.75 per cent with an average of 5.53 per cent, consistent with higher economic growth prospects in 2014.

Mortgage rates are not expected to increase until mid 2014. The anticipated small and steady increases in mortgage rates will lead to somewhat higher mortgage rates by the end of 2014. However, these rates will remain low, by historical standards, over the forecast horizon.

In Detail

Single Starts:

In 2013, moderate job growth, the continued easing of the resale market and the trend toward multi-family dwelling will again reduce single starts and translate into a total of 14,200 single-detached homes started. In 2014, a tighter resale market will bring some support and result in 14,500 single starts. The trend toward the multi-family market segment is explained by its relative affordability, the changing needs of an aging population and by densification trends.

Multiple Starts:

Fuelled by the popularity of condominium apartments, supply in this market segment has increased significantly. As a result of three years of sustained construction from 2010 to 2012, market conditions in this market have eased significantly. Starts of multi-family dwellings will thus decrease considerably this year. Multiple starts will descend below the 25,000 level in 2013 and rise above the 26,200 mark in 2014.

Resales:

While holding steady in 2012, sales recorded by Centris® have been recently declining as a result of the overall economic context discussed previously. Despite a certain rebound in the second half of this year, resales will come in at a lower level this year. For 2013, 72,500 such transactions are forecast. As buying conditions improve, total resales will be back in growth mode next year. In total, 76,500 Centris® sales are forecast for 2014.

Prices:

Relatively lower demand for resale homes, combined with rising supply, has taken pressure off price growth in recent quarters and should continue to do so throughout this coming year. With a return to more balanced conditions, price growth in the resale market will continue to moderate in 2013. The average price recorded by Centris® will reach $271,200 in 2013 and $274,200 next year.

Québec Region Economic and Housing Indicators

		Labour Market				Housing Market				
		Emp. Growth SA (%)	Unemp. Rate SA (%)	Average Weekly Earnings ($)		Total Starts	Single-Detached Starts	Multiple Starts	Centris® Sales[2]	Centris® Average Price[2] ($)
Gatineau	Q1 2013	-1.8	6.7	903.51	Q1 2013	455	96	359	0	0
	Q1 2012	2.9	5.4	911.45	Q1 2012	1,118	250	868	1,357	245,060
	Change[1]	-4.8	1.3	-0.9%	% Change	-59.3	-61.6	-58.6	-100.0	-100.0
Montréal	Q1 2013	4.6	7.8	807.63	Q1 2013	2,958	728	2,230	0	0
	Q1 2012	-1.9	9.2	796.14	Q1 2012	6,152	1,304	4,848	13,313	328,491
	Change[1]	6.5	-1.4	1.4%	% Change	-51.9	-44.2	-54.0	-100.0	-100.0
Québec	Q1 2013	0.2	4.4	833.85	Q1 2013	961	244	717	0	0
	Q1 2012	3.9	5.0	789.92	Q1 2012	2,210	465	1,745	2,227	261,059
	Change[1]	-3.7	-0.6	5.6%	% Change	-56.5	-47.5	-58.9	-100.0	-100.0
Saguenay	Q1 2013	-1.1	7.8	792.52	Q1 2013	227	67	160	0	0
	Q1 2012	2.0	6.2	760.49	Q1 2012	367	169	198	521	195,758
	Change[1]	-3.1	1.6	4.2%	% Change	-38.1	-60.4	-19.2	-100.0	-100.0
Sherbrooke	Q1 2013	-5.0	6.3	758.80	Q1 2013	365	114	251	0	0
	Q1 2012	2.7	7.2	718.90	Q1 2012	581	211	370	495	220,182
	Change[1]	-7.6	-0.9	5.6%	% Change	-37.2	-46.0	-32.2	-100.0	-100.0
Trois Rivières	Q1 2013	-9.7	7.7	747.33	Q1 2013	245	74	171	0	0
	Q1 2012	3.9	7.5	749.01	Q1 2012	386	125	261	315	161,671
	Change[1]	-13.6	0.2	-0.2%	% Change	-36.5	-40.8	-34.5	-100.0	-100.0
Quebec	March 13	1.6	7.7	792.71	Q1 2013	0	0	0	s.o	s.o
	March 12	0.1	7.8	775.06	Q1 2012	15,102	5,375	9,727	24,919	273,585
	Change[1]	1.4	-0.1	2.3%	% Change	-100.0	-100.0	-100.0	s.o	s.o
Canada[2]	March 13	1.2	7.2	875.32	Q1 2013	0	0	0	s.o	s.o
	March 12	1.2	7.2	856.86	Q1 2012	62,025	24,812	37,213	149,260	373,300
	Change[1]	0.0	0.0	2.2%	% Change	-100.0	-100.0	-100.0	s.o	s.o

[1]Changes to the Unemployment Rate and Employment Growth represent the ***absolute*** difference between current rates and the rates for the same period in the previous year.

Sources: Statistics Canada (CANSIM), CMHC (Starts and Completions Survey), CREA, Centris® Statistics

[2] Source for Canada resale housing data is the Canadian Real Estate Association (CREA).
The Centris® system contains all the listings of Québec real estate brokers.
"SA" means Seasonally Adjusted

NOTE: Some of the data in this table, such as the Centris® sales and average price for Q4, became available after the cut-off date of January 22th 2013. As a result, this data was not considered for the forecast.

Quebec Housing Market Outlook (units and percentage change)											
	2008	2009	2010	2011	2012	2013(F)	2014(F)	2013Q1	2013Q2(F)	2013Q3(F)	2013Q4(F)
Housing Starts:											
Single	19,778	17,535	19,549	16,554	16,059	14,200	14,500	13,159	14,250	14,500	14,750
%	-10.8	-11.3	11.5	-15.3	-3.0	-11.6	2.1	-13.5	8.3	1.8	1.7
Multiple	28,123	25,868	31,814	31,833	31,308	24,600	26,200	22,250	25,000	25,500	25,750
%	6.6	-8.0	23.0	0.1	-1.6	-21.4	6.5	-25.5	12.4	2.0	1.0
Total	47,901	43,403	51,363	48,387	47,367	38,800	40,700	35,409	39,250	40,000	40,500
%	-1.3	-9.4	18.3	-5.8	-2.1	-18.1	4.9	-21.5	10.8	1.9	1.3
Existing Home Markets:											
Centris® Sales	76,752	79,108	80,027	77,170	77,391	72,400	76,500	70,660	71,000	73,500	74,500
%	-4.8	3.1	1.2	-3.6	0.3	-6.4	5.7	-2.8	0.5	3.5	1.4
Centris® Average Price	215,323	225,368	241,455	261,445	266,442	271,200	274,200	275,843	272,000	268,000	269,000
%	3.8	4.7	7.1	8.3	1.9	1.8	1.1	0.6	-1.4	-1.5	0.4

The Centris® system contains all the listings of Québec real estate brokers.

Source: CMHC (Starts and Completions Survey), CREA

Some of the data in this table, such as the Centris® sales and average price for Q4, became available after the cut-off date of January 22th 2013. As a result, this data was not considered for the forecast.

All data in this table, except the Centris® average price, is seasonally adjusted at annual rates. The Centris® average price data is actual.

Quebec Region - Housing Forecast Ranges

	2013			2014		
	Point Forecast	High Forecast	Low Forecast	Point Forecast	High Forecast	Low Forecast
Quebec						
Housing Starts	38,800	40,700	36,900	40,700	45,200	36,200
Multiple	24,600	25,700	23,500	26,200	28,900	23,500
Single	14,200	15,000	13,400	14,500	16,300	12,700
Centris® Sales	72,400	77,400	67,400	76,500	81,700	71,300
Centris® Average Price ($)	271,200	278,800	263,600	274,200	281,800	266,600
Canada						
Housing Starts	182,900	192,500	173,300	188,900	211,300	166,500
Multiple	103,100	108,000	98,200	106,500	118,300	94,700
Single	79,800	84,500	75,100	82,400	93,000	71,800
MLS® Sales	443,400	474,800	412,000	468,600	501,400	435,800
MLS® Average Price ($)	369,700	380,000	359,400	377,300	392,200	362,400

Sources : CMHC

The Centris® system contains all the listings of Quebec real estate brokers.

Quebec Region Housing Forecast - New Construction

	Housing Starts	2012	2013(F)*	% chg (2012/2013)	2014(F)*	% chg (2013/2014)	YTD 2013**	YTD 2012**	% chg (2012/2013)
Gatineau	Single-Detached	688	450	-34.6	425	-5.6	42	84	-50.0
	Multiple	2,071	1,375	-33.6	1,425	3.6	69	289	-76.1
	Total	2,759	1,825	-33.9	1,850	1.4	111	373	-70.2
Montréal	Single-Detached	3,959	3,200	-19.2	3,100	-3.1	507	741	-31.6
	Multiple	16,632	14,400	-13.4	13,800	-4.2	2,190	2,662	-17.7
	Total	20,591	17,600	-14.5	16,900	-4.0	2,697	3,403	-20.7
Québec	Single-Detached	1,258	1,100	-12.6	1,000	-9.1	136	213	-36.2
	Multiple	5,158	4,400	-14.7	4,000	-9.1	920	590	55.9
	Total	6,416	5,500	-14.3	5,000	-9.1	1,056	803	31.5
Saguenay	Single-Detached	400	365	-8.8	350	-4.1	20	16	25.0
	Multiple	717	635	-11.4	530	-16.5	136	118	15.3
	Total	1,117	1,000	-10.5	880	-12.0	156	134	16.4
Sherbrooke	Single-Detached	610	570	-6.6	575	0.9	77	107	-28.0
	Multiple	1,131	1,080	-4.5	1,125	4.2	148	244	-39.3
	Total	1,741	1,650	-5.2	1,700	3.0	225	351	-35.9
Trois Rivières	Single-Detached	305	260	-14.8	250	-3.8	22	30	-26.7
	Multiple	716	575	-19.7	450	-21.7	25	149	-83.2
	Total	1,021	835	-18.2	700	-16.2	47	179	-73.7

Source: CMHC (Starts and Completions Survey)
(F) = CMHC Forecast
* Although point forecasts are provided in this table, please refer to the "Housing Forecast Range" table to get the relevant ranges.
** YTD = January - March

Quebec Region Housing Forecast - Resale Market

		2012	2013(F)*	% chg (2012/2013)	2014(F)*	% chg (2013/2014)	YTD 2012*	YTD 2013*	% chg (/)
Gatineau	Centris® Sales[1]	3,865	3,675	-4.9	3,700	0.7	963	778	-19.2
	Centris® Avg. Price[1]	239,913	246,000	2.5	250,000	1.6	235,341	239,244	1.7
Montreal	Centris® Sales[1]	40,094	37,500	-6.5	40,200	7.2	12,164	9,927	-18.4
	Centris® Avg. Price[1]	326,366	331,000	1.4	334,500	1.1	317,376	324,482	2.2
Québec	Centris® Sales[1]	7,220	7,100	-1.7	7,350	3.5	2,276	1,862	-18.2
	Centris® Avg. Price[1]	259,366	270,000	4.1	280,000	3.7	254,878	267,084	4.8
Saguenay	Centris® Sales[1]	1,451	1,350	-7.0	1,425	5.6	364	309	-15.1
	Centris® Avg. Price[1]	186,178	191,500	2.9	196,500	2.6	179,998	188,729	4.9
Sherbrooke	Centris® Sales[1]	1,784	1,750	-1.9	1,795	2.6	584	496	-15.1
	Centris® Avg. Price[1]	218,302	222,000	1.7	226,000	1.8	207,380	210,364	1.4
Trois Rivieres	Centris® Sales[1]	1,026	980	-4.5	950	-3.1	309	285	-7.8
	Centris® Avg. Price[1]	154,803	156,660	1.2	158,225	1.0	157,039	158,369	0.8

The Centris® system contains all the listings of Québec real estate brokers.
Sources: CMHC, CREA, Centris® Statistics, CMHC Forecast 2011-2012

[1] Source for the CMA's : Centris® Statistics, YTD: January to December

(F) = CMHC Forecast

* Although point forecasts are provided in this table, please refer to the Housing Forecast Range table at the end of this report to get the relevant ranges.

* YTD = January - March

Quebec Region Housing Forecast - Rental Market

	Vacancy Rate		Average Rent 2-Bedroom Units	
	Oct 2012	Oct 2013(F)	Oct 2012	Oct 2013(F)
Gatineau	3.3	4.0	743	760
Montréal	2.8	2.7	711	720
Québec	2.0	2.5	741	755
Saguenay	2.0	2.5	549	565
Sherbrooke	5.0	4.8	578	585
Trois Rivières	5.2	5.5	550	560
Canada	2.8	2.5	n/a	n/a

Source: CMHC Fall Rental Market Survey
(F) = CMHC Forecast
[1] All centres 100,000+

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